GLOBAL MARKETS RESEARCH

Daily Market Outlook

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Upbeat sentiment

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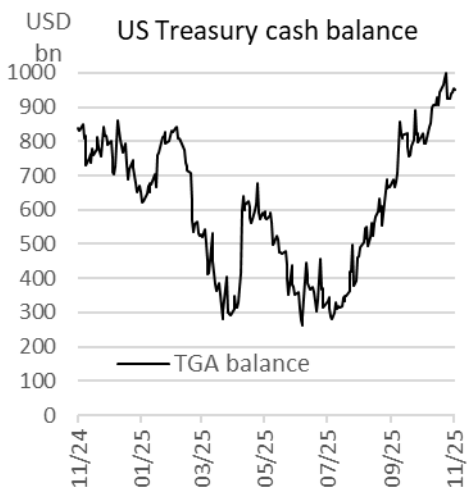
Global Markets Research and Strategy

- **USD rates.** USTs yields retraced from session high overnight, to end the day a few bps higher amid risk on sentiment upon hope of a potential deal to end US government shutdown. The 3Y coupon bond auction went well, stopping through at 3.579%, with the bid/cover ratio higher at 2.85x. Indirect accepted and direct accepted both edged higher, leaving primary dealer with 9.7%. There are USD42bn of 10Y TIPS and USD25bn of 20Y Bond auctions for the rest of the week. Net bills settlement is at USD37bn this week. TGA balance was last at 950bn on 7 November; this balance is expected to fall towards the target of USD850bn especially if there is an end to government shutdown, releasing some liquidity back to the market. An end to US shutdown means the market will be receiving data releases gradually, and before December FOMC, there will be a lot for the Committee to digest. Given recent private sector releases have been on the soft side, risk then will be for any upside surprises delaying the next Fed fund rate cut. At this juncture, the likelihood remains for a 25bp cut in December and another in Q1-2026. Near-term range for 10Y UST yield is seen at 4.05-4.25%, while the 2Y UST yield may hover around the 3.60% level. Fed funds futures last priced a 62% chance of a 25bp cut in December; and priced a total of 81bps of cut between now and end 2026 versus our base case for 50bps. We do not expect material downside to 2Y UST yield even upon materialization of our expected Fed funds rate cuts.



Source: Bloomberg, OCBC Research

- **DXY. *Mixed.*** Hopes of shutdown nearing an end continued to keep sentiments supported. Republicans hold a 53-47 majority in the senate and there were 8 Democrat senators who swung to support Republicans. The final vote in the senate has just been passed, and later a vote in the House this week before Trump signs. Risk proxy-FX including AUD, MYR are outperforming other lower yielders like JPY, EUR and SGD, while the USD traded mixed. DXY was last at 99.70 levels. Mild bullish momentum on daily chart faded but decline in RSI slowed. 2-way trades likely to persist. Resistance at 100.40/60 levels (200 DMA, 76.4% fibo), 101.20 levels. Support at 99.10 levels (50% fibo retracement of May high to Sep low), and 98.20/40 levels (50, 100 DMAs, 38.2% fibo). More importantly, when will data releases resume normal flow after US government ends? CPI, PPI and retail sales data are supposed to be released on Thu, Fri later this week but is likely to be delayed until further notice. Past data will be gradually released after shutdown is lifted, going by historical episodes. The statistical agencies can release the missed data as and when they are ready and need not wait the next scheduled date to release. Given the absence of data releases, Fedspeaks will probably still be key and there are 13 occasions Fed officials will speak at. Overnight, Musalem said he expects the US economy to get "a substantial rebound in the first quarter", citing an expected bump when the government shutdown ends, fiscal support, the impact of rate cuts already made and deregulation. Officials should approach additional interest-rate cuts with caution.

- **Gold. *Regaining Momentum.*** Gold rebounded sharply this week, riding on hopes that US government shutdown may be nearing its end. It may sound odd but gold is behaving more like an "alpha" proxy outperforming traditional risk assets. Improved technical setup and momentum may also have played a part. Sharp corrective pullback helped to restore healthier positioning and valuations. The medium-term drivers that underpin gold's constructive bias remain intact - Fed to continue to ease policy into 2026 with rates likely to trend lower overall, and central-bank as well as institutional diversification demand continues. Gold's role as a portfolio hedge against fiscal and policy uncertainty, store of value and a confidence hedge remain intact. To add, we earlier did flag that if gold manages to consolidate in this range of 3,920 – 4,020, then it may set the stage for base-building before the next leg higher. XAU last seen at 4130 levels. Bearish momentum on daily chart shows signs of fading while RSI rose. Next resistance at 4130 levels (23.6% fibo retracement of Aug low to Oct high), 4250 levels. Support at 4064 (21 DMA), 3970 (38.2% fibo).

- **USDSGD. *Consolidation.*** USDSGD traded subdued; last seen around 1.3030 levels. Price pattern last week raises the risk of a bull trap though it remains early to concur. But weekly technical shows a gravestone doji, typically associated with a bearish reversal. On daily chart, mild bullish momentum faded but the decline in RSI slowed. 2-way risks likely. Immediate support at 1.2990 (21 DMA), 1.2950 (23.6% fibo retracement of 2025 high to low) and 1.2920 (50 DMA). Resistance at 1.31 levels (38.2% fibo, near recent highs). Looking on, we expect broader market narratives, including USD trend, moves in RMB, JPY and risk sentiments, etc. to influence the pair more as MAS policy takes a back seat for now. S$NEER showed signs of strengthening; last at 1.2% above model implied mid.

- **SGD rates**. SGD OIS traded higher by 2-4bps in a steepening manner on Monday. The SGS curve have steepened further mildly across the 2s10s segment over recent days, led by the outperformance at the 2Y bond. 10Y SGS itself is likely to trade in ranges over the coming weeks. Support comes from a vacuum of supply, with the next long-end bond auctions in March with the 30Y Green SGS

(Infra) and in April with the 10Y SGS (MD). Bond/swap spread, meanwhile, does not look particularly appealing. Today, there are the usual MAS bills auctions. 1M implied SGD rate traded at around 1.19% and 3M implied SGD rate at around 1.21% this morning, similar to levels a week ago. Cut-off at the 4W MAS bills is expected at 1.30-1.35%, and cut-off at the 12W MAS bills may come in the range of 1.37-1.42%.

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